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Brazil

Oilseeds and Products Update

Record Soybean Planted Area Forecast for 2010-11 Crop

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Report Highlights:

Post has revised upward its forecast of 2010/11 soybean planted area to a record 24 million hectares. Post maintains its forecast of 2010/11 soybean production at 67.5 million metric tons. These forecasts represent a 2.6 percent increase in area planted and a 1.7 percent decrease in production compared to 2009/10. The La Nina weather phenomenon slightly delayed planting and is expected to reduce national average yields due to irregular precipitation patterns. Favorable futures prices have spurred early committed sales of the 2010/11 soybean crop to 18 percent, ahead of historical norms.

Post:

Brasilia

Production, Supply and Demand Data Statistics:

			Brazil				
Oilseed, Soybean (Local) 1000 HA and 1000 MT							
	2008/2009		2009/2010		2010/2011		
	Official Data	Post	Official Data	Post (a)	Official Data	Post (b)	% (b/a)
Market Year Begin		02/2009		02/2010		02/2011	
Area Planted	21,600	21,730	23,500	23,400	23,500	24,000	2.6
Area Harvested	21,600	21,730	23,500	23,400	23,500	24,000	2.6
Begin. Stocks	4,818	4,739	1,156	295	3,556	2,345	694.9
Production	57,800	57,500	69,000	68,700	65,000	67,500	-1.7
MY Imports	124	123	185	185	175	175	
MY Imp. from U.S.	0	0	0	0	0	0	
MY Imp. from EU	0	0	0	0	0	0	
Total Supply	62,742	62,362	70,341	69,180	68,731	70,020	1.2
MY Exports	28,041	28,500	30,050	30,050	30,200	30,200	0.5
MY Exp. to EU	8,250	8,250	9,500	9,500	10,000	10,000	5.3
Crush	30,778	30,800	33,785	33,785	33,000	33,500	-0.8
Food Use Dom. Cons.	0	0	0	0	0	0	
Feed Waste Dom. Cons.	2,767	2,767	2,950	3,000	3,100	3,100	3.3
Total Dom. Cons.	33,545	33,567	36,735	36,785	36,100	36,600	-0.5
Ending Stocks	1,156	295	3,556	2,345	2,431	3,220	37.3
Total Distribution	62,742	62,362	70,341	69,180	68,731	70,020	1.2

Record estimated soybean area signals upcoming large crop for Brazil in 2010/11

Post has revised upward its forecast of 2010/11 soybean planted area to a record 24 million hectares. Post maintains its forecast of 2010/11 soybean production at 67.5 million metric tons based on a 2.8 mt/ha yield estimate. These forecasts represent a 2.6 percent increase in area planted and a 1.7 percent decrease in production compared to 2009/10. The La Nina weather phenomenon is expected to bring irregular precipitation throughout the growing season and result in low national yields. Post's projection parallels with those of private analysts in Brazil. Safras and Mercado private consultancy projects 2010/11 production at 67.1 mmt while Agroconsult also projects planted area at 24 million hectares. Public estimates on the 2010/11 crop from CONAB (Brazilian Food Supply Company) and the Brazilian Institute of Geography and Statistics (IBGE) are scheduled for public release on October 7th and November 10th, respectively.

Higher projected profitability of soybeans vis-à-vis corn will result in a second consecutive year of acreage substitution, mainly in southern Brazil, leading to record soybean planting intentions for 2010/11. Domestic corn prices have been downward pressured in recent years with increased "safrinha" second crop production in the center-west. In sum, producers still favor the market liquidity of soybeans which further enable them to avoid the burdensome government minimum price auctions for corn.

La Nina weather phenomenon slightly delayed soybean planting

The national planting pace in 2010/11 is well behind last year's record pace due to delayed arrival of rains. Light and scattered rains were insufficient to start planting on September 15th across producing areas in the center-west region where a 60 millimeter threshold is preferred prior to planting. Planting just commenced with the arrival of rains across the center-west and southern regions. Increased planting of early-maturing soybean varieties is again expected in order to ensure sufficient time for second crop planting, where applicable.

Untreatable "Mad Soy Disease 2" and resistant Asian Rust strains worry the sector

"Soja Louca 2" or "Mad Soy Disease 2" is an anomaly manifested through an endless vegetative cycle or retarded maturity of the soybean plant known to reduce yields by over 40 percent. In past years, the anomaly affected soybeans in hot northern growing regions on a sporadic basis, but is now extending to more Southern temperate growing regions with increased prevalence overall. The anomaly affects nongenetically engineered and genetically engineered soybeans the latter representing an estimated 78 percent of planted area in 2010/11. Brazilian plant scientists have yet to identify the cause of this current anomaly; however, a very similar anomaly years before proved to be caused by an insect and is now under control. A current hypothesis is that a certain mite may be the cause of Soja Louca 2; however, there are no known effective treatments. The increased prevalence in Mato Grosso, a key producing state, among other states has brought this issue to the forefront.

Producer groups are requesting Brazilian Government Agencies act more quickly to approve the commercial release of more effective fungicides to combat evolving Asian rust strains that first appeared in 2001/2002. State authorities are enforcing the *vazio sanitario* – a 60- or 90-day period in which planting is prohibited to control soybean rust. Soybean rust appears well managed in Brazil, but multiple fungicide applications erode profitability. One official rust detection has already been confirmed this season.

Committed future sales ahead of historical pace for 2010/11 soybean crop

Chicago Board of Trade futures contracts surpassed US\$11 per bushel spurring the pace of committed future sales for Brazil's upcoming crop. On September 27th, Safras and Mercado reported 18 percent of estimated 2010/11 production as sold, four percentage points above the five-year average and well ahead of the 10 percent of the crop sold at this time last year. The 2009/10 crop is reported 87 percent sold in line with the historical five year average. The State of Mato Grosso's Institute for Agricultural Economics reports future soybean crop sales at 36 percent, or 14 percent above committed sales at this time last year. Mato Grosso alone produces nearly 30 percent of Brazil's soybean crop.

Other Relevant Reports: BR0607 - 2010 Annual Oilseeds Report BR10006 - 2010 Annual Bio-fuels Report
BR0612 - Annual Biotechnology Production and Outlook